120 slides (and one movie)

Philosophy. Pitfalls. Solutions

Examples outside finance. Examples inside finance

Ask questions along the way. I will.
Co-opetition Mindset
BUSINESS IS WAR
"It's not enough that we succeed. Cats must also fail."
Business as a Game

“If business can be looked on as a game, it is generally agreed that the idea is to outwit and outperform your competitors. ...

--- Prof. Walter Barndt., Jr.
You don’t win silver
You lose gold
Thumb Wrestling
No Speaking
Each pin is worth $1.

20 seconds
## High or Low?

<table>
<thead>
<tr>
<th>Profits</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>You</td>
<td>$40 m</td>
<td>$80 m</td>
</tr>
<tr>
<td>Rival</td>
<td>$20 m</td>
<td>$160 m</td>
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</tbody>
</table>

A) Price Low  B) Price High
Business as Politics

- Negative campaigning
- Election day
- One size fits all
- Price competition
- Zero-sum; positive-sum, negative-sum
Beat the Competition?

“Do well for self”
» DuPont, GE, Union Carbide, Alcoa

“Beat the competition”
» Goodyear, Gulf, American Can, Swift, Great Atlantic & Pacific, National Steel

Difference in ROI (after tax)

<table>
<thead>
<tr>
<th>Year Range</th>
<th>1938--46</th>
<th>1947--55</th>
<th>1956--64</th>
<th>1965--73</th>
<th>1974--82</th>
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<tbody>
<tr>
<td>ROI (%)</td>
<td>8.9%</td>
<td>10.9%</td>
<td>9.6%</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td></td>
<td>5.6%</td>
<td>7.8%</td>
<td>6.2%</td>
<td>5.0%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>
BUSINESS IS PEACE?
Cooperation Needed Now More than Ever!
Why Now?

World is changing
Why Now?

World is changing

World is changing at faster rate
Why Now?

World is changing

World is changing at faster rate

World is changing at ever more faster rate

First derivative is positive, second derivative is positive, perhaps even third derivative is positive
Disruptions

Big Data, Blockchain, some other B
Cold Peace

Don’t need to tell you about value or necessity of cooperation

Why it’s hard and how to get it right

Issue for 100 years. Isn’t easy. Was never easy

Biggest unmined opportunities! Many are obvious
To find several hundred different [automobile] manufacturers . . . benevolently engaged in co-operative competition, justifies . . . the optimism which sees the world as growing better.

---H.L. Barber, Story of the Automobile, 1917
BUSINESS IS PEACE?

Naïve, Too Simplistic
WAR
&
PEACE
War and Peace

Cooperation in creating value

Competition in dividing it up

Simultaneously War and Peace

New mindset ➔ Co-opetition
Two parts to Business Strategy

Create Value

Capture Value
Cooperate to create pie
Compete to divide it up
Negotiation

Same Problem. Simultaneously:

- Cooperate and problem solve to create a bigger pie
- Compete to capture the biggest slice divide it up
How can we **compete** better?
How can we cooperate better?
Sharing in Chicago

New York Times
May 11, 2009

Starting Monday in Chicago, four stations’ news departments are combining their camera crews.
USA Today
vs.
Chicago Tribune
“Boston Herald announced an agreement with the Boston Globe for its competitor to print and deliver the Herald. The Boston agreement comes on the heels of numerous printing agreements, including the Chicago Tribune and Chicago Sun-Times, that have been made among publishers.”

“59 newspaper and information companies—including New York Times Co., McClatchy Co., Washington Post Co., E.W. Scripps Co., A.H. Belo, and Associated Press—have banded together to create NewsRight to track use of digital content and ease its licensing. By cooperating, the companies have brought more than 800 content sites into the operation and created a significant player in the digital industry.”

Source: http://themediabusiness.blogspot.com/2012/01/newspapers-increase-use-of-co-opetition.html
Get The Dallas Morning News delivered right to your home

7 Day Home Delivery

- Daily delivery of The Dallas Morning News print edition
- Award-winning local coverage of every topic, from sports to breaking events
- The latest in news from across the globe
- Friday's Guide section points you to DFW's hottest weekend events and restaurants
- Save big with coupon-packed editions on Wednesday & Sunday
- Plus, it's 50% off the newsstand price!

What's Included

- Award-Winning Local Coverage
- Washington Post Digital Access
- Money-Saving Coupons
- The Dallas Morning News for Smartphones
- County by County Coverage
- SportsDay

Award-Winning Local Coverage

No one covers D-FW like we do, with the best beat-writers in the metroplex. When big events break, we provide special in-depth coverage of stories like the West explosion and JFK50. Plus, enjoy 24/7 digital access on dallasnews.com and all of our mobile apps.

Washington Post Digital Access

FREE with your Dallas Morning News subscription, get 52 weeks of unlimited digital access to The Washington Post. Every story, every feature, every insight on the web and on your smartphone.
When to Cooperate
Private Label?

Rival will be in market in any case

Your cooperation won’t change its price / quality

You can help lower costs or increase demand
Isn’t this just collusion under another name?

The government won’t let me!

Won’t I be giving up a competitive advantage?
“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.”
Cooperation ≠ Collusion
Cooperate to create pie
UPS/DHL

Google/Yahoo
What are the two ways to grow the pie?
Increase demand
(raise willingness to pay)

Lower costs
Cooperate to Create Value

♥ Create new markets
  ☐ create standards
  ☐ build complements (Lincoln Highway)

♥ Share risk

♥ Share information
  ☐ benchmarking

Grow the Pie
  » Cut costs and expand demand
  » Always easier to divide up non-existent pie
Multiple Roles

- USA Today and Chicago Tribune
- B’ Nai Jeshurun and Church of St. Paul and St. Andrew
- The Met, Museum of Nat. History, Guggenheim
- Lincoln Highway
- Shell and Exxon
- Merck and Lilly
- MasterCard and Visa
- Citibank and Chase
- Antique stores in Brussels; Brick Lane in London
- Electronics stores in Akihabara
Withdrawals
Withdrawals

Deposits
Merck (Fosomax) & Eli Lilly (Evista)
Competition

- Which drug is more effective
- Which drug has fewer side effects
- Which drug is cheaper
Cooperation

♥ How many people are undiagnosed

♥ Bring cost of BMD test from $200 to $20
   Change medical recommendation

♥ Increases compliance
Fake Co-opetition
Find the best savings easily

Compare car insurance rates side by side with our competitors so it's easy to find the lowest option.

Zip Code

Auto

Get a Quote
Total: $1493.00*

$168.89 Today
then $264.83 per month

-or-

Paid-In-Full: $1253.00

SAVE $240.00

Continue to Buy

Continue to Buy

*Total premium of $1493.00 includes future payments, plus applicable fees, automatically withdrawn from your account. (Keep routing & account numbers handy.)

View All Payment Options

... or use our shopping tools!

Use Name Your Price®
Tell us what you want to pay and we'll build you a custom package:

$ □ □ per month ▼ Create Package

Or See How We Compare
Compare your rates against competitors. We give you the opportunity to compare rates in one place.

▶ Get Comparison Rates
Here are your Auto Comparison Rates

<table>
<thead>
<tr>
<th>Company</th>
<th>Rate</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esurance</td>
<td>$1,195</td>
<td>6 month</td>
</tr>
<tr>
<td>ForeMost Bristol Auto</td>
<td>$3,322</td>
<td>12 month</td>
</tr>
<tr>
<td>Titan</td>
<td>$1,674</td>
<td>6 month</td>
</tr>
</tbody>
</table>

Progressive Direct
- Progressive Comparison Rate

$480* 6 month

*Both your original Progressive Direct Quote and Progressive Direct comparison rate include a Pay-in-Full discount.*
Real Co-opetition

UPS and DHL

Google and Yahoo

Amazon
Hardcover – September 3, 2013

by Seth Goldman (Author), Barry Nalebuff (Author), Sungyoon Choi (Illustrator)

86 customer reviews

> See all 4 formats and editions

<table>
<thead>
<tr>
<th>Format</th>
<th>Price</th>
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<tbody>
<tr>
<td>Kindle</td>
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<tr>
<td>Hardcover</td>
<td>$12.86 (Prime)</td>
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<tr>
<td>Paperback</td>
<td>from $44.70</td>
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Read with Our Free App

114 Used from $1.30
62 New from $4.59
5 Collectible from $11.19

Note: Available at a lower price from other sellers, potentially without free Prime shipping.

In an incredibly fun and accessible two-color graphic-book format, the cofounders of Honest Tea tell the engaging story of how they created and built a mission-driven business, offering a wealth of insights and advice to entrepreneurs, would-be entrepreneurs, and millions of Honest Tea drinkers about the challenges and hurdles of creating a successful business—and the importance of perseverance and creative problem-solving.
Cooperation

- **Reduce costs**
  - Share risk
  - Share information
  - Benchmarking
  - USA Today
  - Mastercard and Visa
  - UPS/DHL
  - Ford/GM

- **Increase size of market**
  - Create new markets
  - Create standards
  - Build complements (Lincoln Highway)
  - Merck/Lilly
  - MOMA
  - Google/Yahoo
It Can Get Messy

Samsung Raises Prices To Apple: I Wonder Why?
It Can Get Messy

Apple reaches deal with Samsung to buy OLED iPhone displays
Apple reaches deal with Samsung to buy OLED iPhone displays

BY LUKE DORMEHL • 12:13 AM, APRIL 15, 2016
It Can Get Messy

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BY LUKE DORMEHL • 12:13 AM, APRIL 15, 2016

Technology

Apple Gets Second Supplier for OLED iPhone Screens

By Min Jeong Lee and Sam Kim
June 28, 2018, 1:33 AM EDT  Updated on June 28, 2018, 3:30 AM EDT
Jury Awards Apple $539 Million in Samsung Patent Case
Clearing house

ATM

Check21
Pubs to clearing house
Inserting punch card into ATM
(1968) Westminster Bank
No magstrip.
Radioactive carbon14!
Hello, I'm Buttons™
THE PERSONAL TOUCH TELLER™
Use me 24 hours a day, 365 days a year. Just touch the buttons for 11 different banking services. Use me to get cash, make deposits, transfer funds and pay loans. I'll even give you your balance.
And almost everything I do takes a minute or less, with the use of...
CITIBANK

introduces

"The Cash Station"

This experimental cash-dispensing machine may be a forerunner of sophisticated electronic devices that will increase our capabilities to provide round-the-clock banking services. The machine dispenses a fixed amount of cash when a customer inserts a special card and keys in his own personal identification number. "The Cash Station" is an electronic substitute for the conventional check-cashing system.
CITY PARALYZED

- Long Island hit hardest by storm
- 15-ft. drifts bury cars in suburbs
- Sanitation crews are snowed under
- Floods sweep into shore sections
- Stranded through Manhattan hotels

Storm blacks out Boston
Your Citicard gives you a key to the bank. Are we kidding?
We aren’t kidding.

THE CITI NEVER SLEEPS.
Playing NYCE
Co-opetition Success Story (sort of)
Divide the Pie

It takes both of us, so we should split the gains equally.

Abe and Bea
Plane route
Coke and HT
Interest rate on a CD
It takes a pub

It takes a blizzard

It take a 9/11
Co-operation as a last resort
How to Get People to Adopt

Emphasize how it’s new

Emphasize how it’s similar
Wite-Out for Teeth
Two Lessons
Don’t make people change behavior
Co-operation as a 1st - resort
Views from a Non-Expert in Payments

♥ Innovation often comes from the "adjacent"

♥ Didn’t know anything about tea, either

♥ Solutions seem obvious
How to get Americans to adopt ACH
Send PDF of check
Other party can print or edeposit
ABA, Acct #, amount all encoded
Moving to EFT
QR code on each bill
Barry Nalebuff
@barry-nalebuff
Making a better currency
A BRIEF OVERVIEW OF WeChat Pay

When users make a purchase in an offline store, they can provide a payment code (bar code / QR code) for vendors to scan.

A convenient way to send money to your contacts.

QQ Coins are Tencent’s digital currency. They’re used in games and to pay for things in the Tencent universe.

A convenient way for a group of people to split the bill.

This area is for third party companies to develop apps that run on WeChat’s platform.

Nearly 450 million people use Didi Chuxing. China’s largest ride sharing company. This area provides in-app access.

Dazhong Dianping is a group buying brand that is similar to Groupon.

Access to WeChat’s wealth management products.

An easy way to pay your utility and phone bills.

During Lunar New Year in 2017, WeChat users sent over 14 billion digital red packets!

Access to MeiLiShuo, a Pinterest-like website that enables women to find personalized clothing and skin care products.

Access to deals via e-commerce company, JingDong. JD is the world’s third-largest Internet company by revenue.

A few Western brands can now be integrated into WeChat wallet.
Our enemies prosecuting the war by sea and land with implacable fury and with some success, taxation at home and borrowing abroad, in the midst of difficulties and dangers, it is not surprising that we are beset with obstructions and perils. However, we are determined to persevere in our just cause.
Alimony
Annuities
Bank deposits
Mortgages
Flip the TIP
Making Shillers Seem Familiar

♥ Can write checks in Shillers

♥ Checking accounts in Shillers
Problems & Solutions

❤ Cooperation with rivals isn’t natural
Problems & Solutions

❤ Cooperation with rivals isn’t natural

  War & Peace

  Why should you care? Doing it to help yourself not others.
  Gains are long lasting, even when copied.

❤ Competitive Advantage or Cooperative Solution
Problems & Solutions

♥ Cooperation with rivals isn’t natural
   War & Peace
   Why should you care? Doing it to help yourself not others.
   Gains are long lasting, even when copied.

♥ Competitive Advantage or Cooperative Solution
   Dr. Jekyll > Mr. Hyde. Hollywood & VCR. Citi and ATM

♥ Gains and costs won’t always be split evenly or proportionately
Problems & Solutions

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♥ Gains and costs won’t always be split evenly or proportionately
  Focus on internal performance, not relative performance

♥ When innovation requires coordination, a few can veto.
Problems & Solutions

♥ Cooperation with rivals isn’t natural
   War & Peace
   Why should you care? Doing it to help yourself not others.
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♥ Competitive Advantage or Cooperative Solution
   Dr. Jeckyl > Mr. Hyde. Hollywood & VCR. Citi and ATM

♥ Gains and costs won’t always be split evenly or proportionately
   Focus on internal performance, not relative performance

♥ When innovation requires coordination, a few can veto.
   Make new seem familiar. Don’t force changed behavior

MAKE COOPERATION A 1ST RESORT
The End